

## Message Text

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PAGE 01 PRAGUE 02548 091323Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 L-03 CIAE-00 INR-07 NSAE-00  
TRSE-00 STR-04 /035 W  
-----029239 092227Z /64

R 090940Z SEP 77  
FM AMEMBASSY PRAGUE  
TO SECSTATE WASHDC 3572  
INFO AMEMBASSY BELGRADE  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMCONSUL LENINGRAD  
AMEMBASSY MOSCOW  
USMISSION NATO  
AMEMBASSY SOFIC  
AMEMBASSY WARSAW  
USDOC WASHDC

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USDOC FOR BEWT/USSR AND BEWT/EEAD

E.O. 11652: NA  
TAGS: EALR, ETRD, EEWT, CZ  
SUBJECT: ALLEGED INCENTIVES FOR CZECHOSLOVAK FOREIGN TRADERS

REF MOSCOW 12542

1. SUMMARY: EMBASSY DOUBTS ACCURACY OF INCENTIVE MECHANISM  
REPORTED REFTEL AND SUGGESTS IT MAY BE BASED ON MISUNDERSTANDING  
OF CERTAIN CREDIT ARRANGEMENTS AVAILABLE TO CZECHOSLOVAK EXPORTERS.  
EMBASSY WILL TRY TO CHECK OUT SITUATION FURTHER. END SUMMARY.

2. SOVIET FTO OFFICIAL'S ALLEGED REMARKS REPORTED REFTEL  
ON "INCENTIVE" MECHANISM FOR CZECHOSLOVAK FTO OFFICIALS ENGAGED  
IN NEGOTIATING HARD CURRENCY EXPORT PRICES SEEMS  
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INACCURATE TO US. IT MAY BE A VARIANT ON TWO STORIES WHICH  
APPEARED IN WESTERN BUSINESS PRESS LAST MAY (BUSINESS  
EASTERN EUROPE OF MAY 20 AND EASTWEST MARKETS OF MAY 39) AND/ OR  
ON AN EARLIER REPORT WHICH E/C COUNSELOR HEARD FROM A LOCAL PRIVATE  
SOURCE.

3. GIST OF PRESS REPORTS WAS THAT CZECHOSLOVAK COMMERCIAL BANK

IS OFFERING \$300 MILLION IN HARD CURRENCY IMPORT CREDITS TO LOCAL ENTERPRISES WILLING TO IMPORT EQUIPMENT TO INCREASE EXPORT CAPACITY FOR WESTERN MARKETS. CREDITS REPORTEDLY MUST BE REPAYED WITHIN THREE YEARS OF DATE IMPORTED MACHINERY IS PUT INTO OPERATION, AND MACHINES MUST START PRODUCING WITHIN SIX MONTHS AFTER IMPORTATION

4. STORY GIVEN TO US BY A PRESUMABLY RELIABLE CZECHOSLOVAK IS THAT ENTERPRISES WHICH EXCEED THEIR HARD CURRENCY EXPORT TARGETS BY AT LEAST TEN PERCENT FOR A SIX MONTH PERIOD ARE GIVEN AN EQUIVALENT SPECIAL HARD CURRENCY EXPORT CREDIT TO BUY EQUIPMENT TO EXPAND EXPORT CAPACITY FOR SUPPLYING WESTERN MARKETS. (APPARENTLY FIRMS FAILING TO MEET THESE TARGETS HAVE GREATER DIFFICULTY GETTING BOTH CROWN AND HARD CURRENCY FINANCING.) WE ATTEMPTED TO CHECK THIS OUT AND WERE TOLD BY ONE SOURCE THAT THIS IS A LONGSTANDING PRACTICE.

5. INCENTIVE DESCRIBED BY SOVIET OFFICIAL (REFTEL) COULD RESULT FROM MISUNDERSTANDING OF THESE CREDIT ARRANGEMENTS DESCRIBED PARAS 2 AND 3, WHICH IN TURN MAY OR MAY NOT BE SAME PHENOMENON. WE ARE ATTEMPTING TO ASCERTAIN FACTS BEHIND THIS VERBIAGE, BUT STRAIGHT-FORWARD ANSWERS ARE HARD TO COME BY HERE. WE HAVE SUBSTANTIAL DOUBTS, HOWEVER, THAT CZECHOSLOVAK NEGOTIATORS WOULD BE ALLOWED TO POCKET HALF OF EXCESS OF ACTUAL TRANSACTION PRICE OVER TARGET EXPORT PRICE. SUCH A PRACTICE WOULD NOT ATTACK ROOT CAUSE OF CZECHOSLOVAK'S EXPORT PROBLEMS, LOW PRODUCTIVITY, LIMITED OFFICIAL USE

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WHEREAS SPECIAL CREDITS FOR IMPORTS OF CAPITAL GOODS WOULD. NEVERTHELESS, WE APPRECIATE EMBASSY MOSCOW'S REPORTING THIS INTERESTING COMMENT BY SOVIET FTO OFFICIAL. BYRNE

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INCENTIVES, FOREIGN TRADE  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Subject:** ALLEGED INCENTIVES FOR CZECHOSLOVAK FOREIGN TRADERS  
**TAGS:** EALR, ETRD, EEWT, CZ  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009